

Oakton Submission to the National Commission of Audit (NCOA)



Oakton Services Pty Ltd
Level 8
271 Collins Street
Melbourne
Victoria 3000
25 November 2013

Key Note

Oakton believes that the National Commission of Audit (NCOA) should clearly recommend that Government sets out a vision and timetable for all major Policy and Delivery programmes it will initiate over its current term and how that is to be delivered through Public and Private sector competencies.

We strongly support Government aims of spending public money wisely, living within its means and, importantly, only doing for people what they cannot do, or cannot do efficiently, for themselves. This last principle should be applied to Government decisions for outsourcing of Business and Technology services.

About Oakton

We are part of ASX listed Consulting and Technology group, headquartered in Australia and founded in 1988. We bring together business insight and technology solutions to give our customers a distinct advantage. With over 1,000 consulting staff we have the repeatability and credibility to take on large scale challenges while retaining a culture of being local to our Australian clients, culturally relevant and focussed on Australian capability development.

We have made a continuous investment in our Australian capability with over \$10 Million per year of our effort directed toward recognised innovation and ongoing development of solutions that we deliver to our clients, increasingly as a cloud based service on an ongoing basis.

Oakton owns and operates an offshore software development and maintenance facility to ensure that we remain competitive with the global organisations that operate in Australia.

Our focus is on answering the right questions and delivering excellent service to our customers and our customer's customer.

Introduction

We are in the midst of dramatic change in the way we interact, develop, innovate and use Information & Communication Technologies (ICT) services. These are global trends and the Australian Government can act to benefit from these trends by enabling innovation, efficiencies and better government.

Technology is at the heart of this change that will define the future of Government service delivery. In promising areas like mobile applications, employee collaboration and applications development and management, Australian ICT companies already hold deep capability, compete on a global scale effectively and have demonstrated strong innovation in bringing the benefits of transformation like the Cloud, Big Data and Mobility.

We believe Government has lagged behind in its adoption of new ways to deliver services and should be more actively drawing on this capability for the creation and delivery of more efficient and responsive services.

This is not about privatising parts of the Government but rather, using the power it exercises in the economy to influence the market in a new and more strategic way. By providing a new approach to procuring targeted services, the Government can ensure that Australia continues to develop strengths in innovative private sector areas and taps into the technological change that is occurring to strengthen the Government's service delivery and financial position.

Scope of Government

It is clear that Government has better capability in certain areas than the private sector and vice versa. We submit that these areas of capability should be articulated and tapped into. That is, the private sector should provide services to Government in areas where it has the mature capability and Government should focus on maturing its core areas of capability rather than trying to develop, compete and mature capability already found within the private sector.

There are multiple areas of Business Services where the private sector is already providing innovative and mature capability that could be harnessed by Government. For example the provision of large scale digital solutions and key programme application development and management that are applicable to the Public sector are currently in use in the private sector and could easily adapted for use by Government. Yet we are continually made aware activities within Government that include:

- Hiring and training mobile application developers to develop Agency smartphone and tablet solutions;
- Developing and maintaining website technologies using large teams of in house staff and contractors;
- Custom building and maintaining applications that can be sourced from the market or re-packaged from other parts of government.

Government activities in the IT Sector are equivalent to having large teams of bricklayers, concreters and plumbers carrying out major infrastructure projects. These roles were long ago transferred to the private sector where sufficient depth and capability exists to support Governmental objectives.

This is equally true in the areas of Services Delivery from an IT perspective where Government's role is to set strategy, establish goals and standards and measure and pay for service delivery.

This model is already well established in the private sector.

Oakton's experience in the Private sector with this model includes:

- Providing a full digital service delivery capability for a major consumer goods organisation where all development, maintenance and service delivery analytics are outsourced allowing the business to focus on customers and service improvement;
- Consolidating a major transport and logistics organisation's 75 websites in 55 countries into a single branded web solution. We helped create the unified information and services model that underpinned the creation and ongoing management of this major digital asset;
- Developing one of the world's largest Student collaboration platforms in Australia to support the extension of classroom interaction into secure and well managed digital spaces.

All of this experience has direct relevance to the needs of Government. A good example of this is the Student Collaboration platform. We have since harnessed the intellectual property and our broader consulting experience to create our Employee Collaboration solution which is equally applicable to the private sector and Government. The solution is a social intranet tailored to the specific business and compliance needs of Government and able to track and manage documents, profiles, blogs and updates. Each solution is fully developed, deployed and in use within an 8 week period, hosted and managed to agreed service levels and accessible securely from any device in any location around the world.

These types of innovation could be more actively embraced by Australian Government who face many of the same challenges but continue to try to develop and maintain solutions in house, with minimal success.

We propose that Government move to transform Agency technology initiatives by:

- Directing Agencies to limit internal functions to ONLY those concerned with setting technology strategy, standards, quality assurance and governance;
- Use its scale of operation to exemplify best practice and establish standards rather than try to build practices;
- Focus its efforts on increased agility and social networking as additional key success factors for its service delivery agenda.

Efficiency and effectiveness of government expenditure

The transforming forces of technical and social change that are driving modern government interaction with citizens require new approaches to acquiring Services and Integrating those Services.

Service Integration

Service Integration is a step change in the evolution of Government service delivery and is being driven by ever-increasing business and citizen demand for services wherever they are located. The focus for government becomes one of learning how best to source and integrate services from a range of suppliers and assemble them into meaningful services that the department and citizens can consume in the way they want. The value proposition becomes: "We can source the right services enable you to deliver your services more effectively. We will ensure the security of your data and the availability of the service through commercial contracts and managed service level agreements".

There are many benefits to be gained from embracing the Service Integration path. The first and most obvious benefit is to reduce costs. This can be in the form of actual service costs as well as internal resource (people) savings. Also related to cost is the possible change in spend profile from Capital to Operational for "as a- service" offerings. Other benefits include improved "time-to-delivery" by leveraging ready-to-use services as well as allowing government to focus on policy and service strategies rather than day to day operations.

Oakton has delivered significant performance improvements and tangible benefits for organisations including:

- Definition and delivery of a cloud based services management system that has reduced time to create a new service from weeks to hours and saving a large banking organisation millions of dollars per year;
- Complete service integration across multiple providers of all strategic and reporting services for a large public transportation organisation providing a more responsive and better value for money solution with ongoing performance improvement dividends;
- Dramatically reduced cost to serve and increased customer satisfaction by transferring traditional call centre and shopfront interactions into social and cloud sourced support models;
- Re-engineering of processes and interactions into uniquely digital experiences to streamline transactions, saving time and money.

The benefits of Government transforming its approach from traditional Agency Information Technology operations to a modern Service Integration model will provide significant reductions in cost with increased speed and flexibility.

We propose Government adopts a Service Integration model by:

- Considering services more broadly as ways for Government to cost-effectively deliver outcomes rather than more internal functions and systems, or large scale outsourcing;
- Grouping procurement into service sets that are strategic and coherent to allow for a complete and un-fragmented response from industry;
- Ceasing to specify technology solutions when going to market but specifying services outcomes required and delivery standards and allow providers to compete on the most effective way of delivering those service outcomes;
- Removing layers of technology development and support out of Agencies.

Service Acquisition

In alignment with the Services Integration model, Government will need to take specific steps to re-orient procurement activities in terms of both strategic direction and delivery processes, to obtain the best results from industry participation.

Current practices do not encourage industry to bring ideas to the table and often place onerous and costly barriers to participation. Issues we have encountered include:

- Rejection of submissions as bids are two pages too long.
- Having Industry respond to multiple “panel contracts” over different Agency Operations. (Oakton are on over 60 Agency panels with the Federal Government for similar services and respond to up to 10 per annum – each having a cost to Oakton of between \$50,000-\$100,000 per panel to bid – a huge impost on Industry);
- If the Private sector brings Solution innovation to the table through advisory services engagement, they are often disqualified from delivering that innovation due to perceived conflicts of interest;

- Abandonment of tenders because of poorly established request documents leading to responses that did not address needs;
- Use of Expression of Interest Tenders that seek full commercial models to skirt a lack of true Agency commitment to procure.

Procurement must recognise the costs of tendering and provide a more interactive and responsive process to ensure Government does get compliant bids for work it truly intends to buy.

We propose Government modify its procurement approach to:

- Define services, outcomes and measures and allow innovative organisations like Oakton to bring industry best practices to Government;
- Promote more open interaction with industry over strategic services, their definition and grouping;
- Having single panels across Government for different Services outcomes;
- Working with proponents during the bid process to ensure that industry provides the best response to Government;
- Promote and encourage the development and presentation of unique private sector solutions that contain pre-existing intellectual property, that can be submitted to and engaged directly by Agencies, up to certain expenditure levels – suggest \$500,000, rather than the existing \$80,000 limit. (Provided companies are on the right Services panel for such services, where Contractual Terms and Conditions have already been established and agreed).

End of submission